

**STATEMENT OF
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**BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES**

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Mr. Chairman, Mr. Ranking Member, and members of the Subcommittee, thank you for this opportunity to provide an update on the work the Federal Maritime Commission (FMC or Commission) has undertaken on the critical issue of ocean vessel capacity and shipping container availability since we last testified to this Subcommittee in March of this year. As in that previous hearing, I am joined today by Commissioner Rebecca Dye and the Commission's General Counsel, Rebecca Fenneman. We also have Commissioner Michael Khouri and members of the Commission's senior staff in the audience today to assist the Subcommittee as necessary. Your former colleague, Commissioner Joe Brennan, is back manning the ship, as we like to say, and he sends his best regards.

At the Subcommittee's hearing on March 17, we announced that Commissioner Dye would be leading a fact finding investigation into difficulties U.S. exporters and importers have been experiencing due to the lack of available ocean vessel capacity and shortages of containers for exporters. During the intervening three months, Commissioner Dye and her team have done an impressive amount of work, including reviewing extensive data and documentation and holding interviews with a comprehensive array of representatives from all sectors involved in ocean shipping and equipment provision. In March, President Obama directed agencies "to use every available federal resource" to increase U.S. exports over the next five years. That directive dovetails with the Shipping Act's goal for the FMC "to promote the growth and development of United States exports through competitive and efficient ocean transportation." As you survey the government-wide response to assist U.S. exporters thus far, I cannot think of a better example than the extraordinary efforts of Commissioner Dye and her team.

Today, the Subcommittee has asked for an update on Commissioner Dye's investigation and any recommendations she and her team may have at this time. Before I turn the microphone over to Commissioner Dye to give the Subcommittee that interim report, I would like to share a couple of observations and an update on a project we discussed in March.

First, the economy and trade have continued to improve since March. Economic growth and traffic have been surging at the nation's ports and all transport segments serving our trade. The growth over 2009, which admittedly was the worst economic year in the FMC's fifty years of existence, is quite impressive. In May of this year, the Port of Long Beach saw total container volumes increase 25% year-on-year; Los Angeles rose nearly 20%; and Seattle has increased 57% (though some of that increase came at the expense of nearby Tacoma). On the East Coast, Charleston saw a year-on-year increase of 21% in May; New York-New Jersey increased 18% in April (the most recent figures available); Savannah increased 24% in April; and the list goes on. I begin with a mention of these impressive figures because it is important to keep in mind that the problems we face are the consequences of a broader recovery that was not certain last year. In 2009, both ocean carriers and shippers would have felt fortunate to sit where we are today. When we spoke in March, the ocean carriers were claiming that they were not sure if the uptick in trade was just temporary inventory restocking before a second dip. Now they appear to have accepted that the upturn is real, despite some expressions of uncertainty over whether its strength will continue through the last quarter of 2010. The growing pains and bottlenecks we confront are serious, but they are far preferable to the severe economic pain that preceded them.

Second, vessel capacity is returning. In the nation's largest trade lanes, the Transpacific between the U.S. and Asia, we are projecting that capacity for July will be 18.7% larger than when we last testified in March. Some of this increase is seasonal, as we begin to head into the peak season of stocking for the holidays. On a year-over-year basis, we expect July 2010 capacity in the Transpacific to be 5.8% larger than July 2009 capacity, whereas March 2010 capacity was still 7.8% below March 2009 capacity. But at the same time, capacity has not returned to 2008 levels. We project July 2010 capacity to be 3.5% below July 2008 levels.

Third, as capacity returns, I believe the more pressing shortage has become containers. In March, much of the problem was the location of empty containers: agricultural exporters in the upper Midwest and rural Pacific Northwest especially had trouble obtaining containers that were bringing imports to the nation's ports and large metropolitan distribution centers. Now this recurring problem of positioning has been exacerbated by a worldwide container shortage. During the recession in 2009, major container manufacturers in China suspended production. During the past few months, production has not ramped back up to keep pace with new orders from ocean carriers and the container leasing companies that own more than half of the world's containers. Analysts forecast global output of containers at only 1.5 to 2 million twenty-foot equivalent units (TEUs) this year, down from a peak of 4.2 million TEUs in 2007. I know that Commissioner Dye and her team have been looking closely at this issue, which I believe will eclipse the vessel capacity issue in severity during the coming peak season.

On the same subject, I'd like to give the Subcommittee a brief update on a project that I mentioned in my testimony in March: our initial discussions with the U.S. Department of Agriculture (USDA) and a group of ocean carriers in the Westbound Transpacific Stabilization Agreement (WTSA) about developing a pilot project to give inland agricultural exporters more information on locations and availability of empty shipping containers. Since March, work on this Container Availability Pilot Project has progressed. The FMC has worked with the USDA

and WTSA-member ocean carriers, and has gathered input and ideas from the Army's experts on container tracking at the Surface Deployment and Distribution Command. At this point, a group of six agricultural exporters and four WTSA-member carriers has been assembled to help determine the type of data to present that would be the most helpful to exporters. The carriers have submitted a first round of sample data, the USDA has compiled it into a sample report format, and the exporters have submitted initial comments to the USDA. We will continue to assist the USDA and the ocean carriers on their project to give more transparency regarding container location. This is in addition to FMC proposals on the container issue that Commissioner Dye will share with the Subcommittee both today and in her final report.

With those preliminary thoughts, I'll hand things over to Commissioner Dye, who has been living and breathing these issues in interviews with importers and exporters around the country, as well as with the ocean carriers that serve them. After she shares her update on her investigation, recent Commission actions in response, and initial proposals going forward, we would be pleased to answer any questions you may have. Again, Mr. Chairman, Mr. Ranking Member, and members of the Subcommittee, thank you for the opportunity to address you today.